

## **MAURITIUS: INVESTMENT CLIMATE STATEMENT 2011**

### **Openness to, and restrictions upon, Foreign Investment**

Mauritius continues to be among the most competitive stable and successful economies in Africa while actively continuing to seek foreign investment. Mauritius prides itself on being open to foreign investment and, according to the World Bank report “Investing Across Borders” published in July 2010, it is one of the world’s most open economies to foreign ownership and one of the highest recipients of Foreign Direct Investment (FDI) per head of population. Average FDI per head from 2005 to 2009 was USD 217.

Of the 33 economic sectors looked at in the World Bank report, 32 are fully open to foreign investment in Mauritius. The only exception is television broadcasting, where foreign capital participation in a company must be less than 20%. However, the World Bank report draws attention to the difficulties of investing in certain sectors in Mauritius such as electricity generation and distribution, waste management and recycling, and port and airport management, due to their monopolistic market structure and domination by a state-owned enterprise.

The World Economic Forum’s 2010-2011 Global Competitiveness Report also places Mauritius first in Africa (jointly with South Africa) and 54th in the world in terms of competitiveness. Last year Mauritius ranked second in Sub-Saharan Africa, behind South Africa, and 57th worldwide. The report lauded Mauritius as “a country characterized by strong and transparent public institutions, with clear property rights, strong judicial independence, and an efficient government.”

***Economic Reform:*** Mauritius’ economy suffered at the turn of the millennium as longstanding trade preferences in textiles and sugar -- the foundation of its growth strategy --were phased out. The current government, which originally took office in 2005 and was elected for a second term in 2010, embarked on a bold economic reform program aimed at opening up the economy, facilitating business, improving the investment climate, and mobilizing foreign direct investment and expertise. The reforms resulted in a strong and balanced growth across all sectors of the economy and have spurred foreign investment to record levels.

Mauritius witnessed three years of robust economic growth between January 2006 and December 2008. In 2008, Gross Domestic Product (GDP) was close to USD 9 billion, with a GDP growth rate of 5.3% and a per capita income of USD 7,000, one of the highest in Africa. At that point, however, the Mauritian economy, which had demonstrated remarkable resilience, started to feel the impact of the global crisis, resulting in a growth rate of 2.8 percent for 2009. At the beginning of 2010, hardly freed from the grips of the global recession, the Mauritian economy found itself afflicted by the Euro-zone crisis. The established economic reforms carried out since 2006, supported by a stimulus package and an Economic Restructuring and Competitiveness Program initiated by the government in 2009-2010, enabled the country to withstand the global economic contraction. GDP growth is forecasted at 4.2 percent in 2011 compared to 4.1 percent in 2010.

FDI, which averaged USD 33 million annually for several years up to 2005, rose dramatically thereafter. Since the 2006 reforms, Mauritius has attracted more than USD 1.3 billion from foreign investors, including USD 270 million in 2009 and USD 350 million in 2010.

***Business Facilitation:*** The GOM's policy since 2005 has been to open the economy and streamline administrative procedures for people to come, work, and live in Mauritius. The Business Facilitation Act of 2006 simplified the business licensing process with respect to starting a business and allowed businesses to start operations within three days of incorporation. Also, residence permits and work permits for foreign investors, entrepreneurs, and professionals have been combined into what is called an occupation permit, which is now processed within three working days.

For the third consecutive year, the World Bank's 2011 Doing Business report ranks Mauritius first among African economies (20th worldwide, out of 183 economies in all) in terms of overall ease of doing business. The government's objective is for Mauritius to rank among the top ten most investment and business friendly locations in the world.

Investment in Mauritius is governed by the Investment Promotion Act of 2000. Investment regulations are consistent with the WTO's Agreement on Trade Related Investment Measures (TRIMS). The GOM does not discriminate between local and foreign investment, except in television broadcasting, sugar production, and certain activities in the tourism sector. Businesses can be conducted locally in several forms: under a self-employed activity, as a partnership with Mauritian nationals, or a 100 percent foreign-owned company under the Companies Act. For a limited number of regulated activities in such sectors as tourism, sugar, and broadcasting, an application for the appropriate permit or license must be made to the competent authorities prior to start of operations. For such activities, investors should seek advice from the Board of Investment ([www.investmauritius.com](http://www.investmauritius.com)).

The Board of Investment (BOI) acts as a one-stop focal agency for business registration. BOI acts as the facilitator for all forms of investment in Mauritius and guides investors through the necessary processes for doing business in the country. Before starting operations, businesses must register with the Registrar of Companies. Regulations governing incorporation are contained in the Companies Act of 2001. After receipt of a certificate of incorporation from the Registrar of Companies, all companies must register their business activities with the BOI to be able to apply for occupation permit and other facilities offered to investors.

***Investment Opportunities:*** Mauritius has realized a remarkable economic transformation from a mono-crop economy based on sugar production to a diversified economy driven by export-oriented manufacturing, tourism, and financial and business services sectors. In recent years, Information and Communication Technology (Business Process Outsourcing, call centers, software development), Hospitality and Property Development (commercial malls, luxury villas, and international flagship hotels), the Seafood and Marine Industry (fish farming, tuna fishing and canning, and seafood processing) and the Biomedical Industry (medical devices, pharmaceutical products, multi-specialty hospitals) have emerged, attracting substantial investment from both local and foreign investors.

In addition, Mauritian authorities have identified a number of projects in the following sectors for implementation in the next few years:

- (i) agri-business and biotechnology (refined sugar, ethanol, food crop production --potato, corn, soya bean--food processing, dairy products and livestock)
- (ii) renewable energy and environment --wind, bagasse (sugar cane fibrous residue), solar, cold sea water for air conditioning, and waste-to-energy projects
- (iii) medical tourism (medical, surgical and diagnostic packages to the one million English and French speaking tourists currently visiting Mauritius)
- (iv) bio-medical research and clinical trials
- (v) knowledge-based industries (foreign universities' campuses in Mauritius, distance education, e-learning, vocational and technical training)

The location of Mauritius, situated in the Indian Ocean between Africa, Asia, and Australia, offers a successful business base and proximity for both regional and international trade. U.S. companies can use Mauritius as a launching platform to tap regional markets through Mauritius' membership in the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), which offer preferential access to a market of 400 million consumers. Mauritius also has a free trade agreement with Pakistan and is negotiating one with Turkey. It is also in the process of finalizing a Comprehensive Economic Cooperation and Partnership Agreement with India.

| Measure                   | Year | Index/Ranking |
|---------------------------|------|---------------|
| TI Corruption Index       | 2010 | 42            |
| Heritage Economic Freedom | 2010 | 12            |
| World Bank Doing Business | 2011 | 20            |
| MCC Gov't Effectiveness   |      | NA*           |
| MCC Rule of Law           |      | NA*           |
| MCC Control of Corruption |      | NA*           |
| MCC Fiscal Policy         |      | NA*           |
| MCC Trade Policy          |      | NA*           |
| MCC Regulatory Quality    |      | NA*           |
| MCC Business Start Up     |      | NA*           |
| MCC Land Rights Access    |      | NA*           |
| MCC Natural Resource Mgmt |      | NA*           |

\* - Mauritius is not eligible for MCC

### Conversion and Transfer Policies

The GOM abolished foreign exchange controls in 1994. Consequently, no approval is required for the repatriation of profits, dividends, and capital gains earned by a foreign investor in Mauritius. In general, businesses do not have difficulty obtaining foreign exchange.

The exchange rate is market-determined, but a small number of institutions dominates the market with the Central Bank occasionally intervening. There is convertibility on both capital and current accounts. Settlement can be done in foreign currency, and foreign currency accounts can

be opened in Mauritius. There is no legal parallel market in Mauritius for investment remittances.

Mauritius has a well-developed and modern banking system. At the end of 2010, net international reserves were estimated at USD 3.3 billion, representing an import cover of 35 weeks. The Mauritian rupee has been strengthening in recent years and the exchange rate has been quite volatile as well. Between December 2009 and September 2010, the Mauritian rupee depreciated by 4 percent against the U.S. dollar but appreciated by 14.7 percent against the Euro between October 2009 and August 2010, before easing a little in September and October.

### **Expropriation and Compensation**

Legislative guarantees against nationalization exist and are respected. The Government of Mauritius (GOM) has never nationalized an industry.

### **Dispute Settlement**

An entity formed through a joint venture between a local company and a U.S. investor has been engaged in a lengthy dispute (since 2005) with Mauritius Telecom, its cellular subsidiary Cellplus (now called Orange), and the former Telecommunications Authority, over allegations of unfair competitive practices by Mauritius Telecom and Orange. The case remains in the courts. There has not been any expropriation of private assets in Mauritius thus far. Mauritius is a member of the International Center for the Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency of the World Bank.

The Mauritian legal system is largely based on English common law and French civil law. A Commercial Court was set up in early 2009 to expedite the settlement of commercial disputes. The domestic legal system is generally non-discriminatory and transparent. Members of the judiciary are independent of the legislature and the government. The highest court of appeal is the judicial committee of the Privy Council of England. Mauritius is a member of the International Court of Justice.

### **Performance Requirements/Incentives**

The investment code is in line with the WTO's Agreement on Trade Related Investment Measures. A foreign investor, a professional under a contract of employment, or a self-employed person may apply for work and residence permits if the following conditions are met:

- (i) Investor: the proposed business activity should generate an annual turnover exceeding MRs 3 million (approx. USD 95,000)
- (ii) Professional: the basic monthly salary should exceed MRs 45,000 (approx. USD 1,430); and
- (iii) Self-employed: the annual income from the proposed business activity should exceed MRs 600,000 (approx. USD 19,000).

An investor may subsequently apply for permanent residence status if his/her business activity generates an annual turnover exceeding Rs 15 million (approx. USD 476,190) during the first

three years. In the case of self-employed persons, the business activity should generate an annual income exceeding Rs 3 million (approx. USD 95,000). Foreign nationals can acquire property for business purposes.

Investment incentives are applied uniformly to both domestic and foreign investors. Mauritius offers a low tax jurisdiction:

- (i) a flat corporate and income tax rate of 15 percent,
- (ii) up to 100 percent foreign ownership,
- (iii) exemption from customs duty on equipment,
- (iv) free repatriation of profits, dividends, and capital,
- (v) no minimum foreign capital required,
- (vi) 50 percent annual allowance on declining balance for the purchase of electronic and computer equipment; and
- (vii) an extensive tax treaty network with several countries.

Moreover, the government has set up the Integrated Resorts Scheme (IRS) to attract high net worth non-citizens desiring to acquire an immovable property of not less than USD 500,000 in Mauritius (within a resort approved by the BOI) for personal residence. The Real Estate Scheme (RES) introduced in 2007 allows non-citizens to acquire a residence with no minimum price set. The investor and his/her spouse and dependents are granted resident permits to live in Mauritius when a residential property is acquired for a price exceeding USD 500, 000. More detailed information on the incentives is available on BOI's website: [www.investmauritius.com](http://www.investmauritius.com).

### **Right to Private Ownership and Establishment**

Under the Non-Citizens (Property Restriction) Act, a non-citizen investor may acquire property in Mauritius with the prior approval of the Prime Minister. However, the Prime Minister's approval is not required when the property is acquired:

- (i) under a lease agreement not exceeding 20 years,
- (ii) under the Integrated Resort Scheme or Real Estate Scheme for the purchase of a villa,
- (iii) under the Invest-Hotel Scheme for the acquisition of a hotel room, or
- (iv) when the investor has obtained approval from the Board of Investment to acquire property for use in his/her business.

### **Protection of Property Rights**

Property rights are respected. Mauritius maintains a sophisticated and impartial legal system based on both Napoleonic code and British common law. The system protects all tangible property. Intellectual property rights are protected by the Copyrights Act of 1997 and the Patents, Industrial Designs and Trade Marks Act of 2002, which are in line with international norms. Mauritius is a member of the World Intellectual Property Organization (WIPO) and party to the Paris and Bern conventions for the protection of industrial property and the Universal Copyright Convention.

The Patents, Industrial Designs and Trade Marks Act of 2002 was introduced by the government, in part, as a response to the rise in the production and trade of counterfeit goods, such as Ralph

Lauren shirts. In 2004, Polo Ralph Lauren (PRL) successfully sued local manufacturers and retailers of PRL counterfeit products in Mauritian courts, which resulted in the closure of the counterfeit operations. In December 2008, the Supreme Court ruled in favor of PRL by ordering Customs to seize PRL products imported by a local businessperson without PRL's authorization. In December 2009, Nike and Adidas lodged a legal action at the Supreme Court against a local businessman, who imported 2,000 pair of shoes suspected of being counterfeit goods. Mauritius Customs seized the goods and when the case was heard in March 2010, the two parties came to a settlement before the judge whereby the importer agreed to have the goods destroyed and undertook never to import counterfeit goods again.

The new trademark and patent laws comply with the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement and protects designs, brands, and technological inventions. Also, the law dictates that well-known international trademarks are protected, whether they are registered in Mauritius or not. A trademark is initially registered for 10 years and may be renewed for successive periods of 10 years. A patent is granted for 20 years and cannot be renewed.

The Police, Customs, and Judicial authorities have effectively enforced trademark and copyright protection for firms like Polo Ralph Lauren and legitimate distributors of Bollywood films that have established a legal or commercial presence in Mauritius. However, U.S. and European producers and distributors of cinema have in general not established any representation in Mauritius and protection of their copyrights is practically non-existent. According to a leading IPR law firm, the Police could take action against IPR infringements only in cases where the IPR owner has an official representative in Mauritius because the Court would require a representative to testify that the products seized are counterfeit. The Customs Department also requires right holders or authorized users to register their trademarks and copyrights with its office in order to take action to protect their marks/copyrights at the borders of Mauritius. Application forms for registration can be downloaded from the Mauritius Revenue Authority/Customs' website: <http://mra.gov.mu>

WIPO has recently prepared an Intellectual Property Development Plan for Mauritius, which recommends, inter alia, the revision of some existing legislation to strengthen IPR laws and enforcement. The new legislation has not been finalized yet.

### **Transparency of the Regulatory System**

Mauritius has built its success on a free market economy. According to the 2010 Index of Economic Freedom of the U.S. based Heritage Foundation Wall Street Journal, Mauritius leads Sub-Saharan Africa in economic freedom and is ranked 12th worldwide. The report's ranking of 183 countries is based on measures of economic openness, regulatory efficiency, rule of law, and competitiveness.

With a well-developed legal and commercial infrastructure and a long tradition of entrepreneurship and representative government, Mauritius is one of Africa's most successful democracies. Mauritius also has a long-standing tradition of government and private sector dialogue which allows the private sector to effectively voice its views on the development

strategy of the country. The Joint Economic Council, the coordinating body of the Mauritian private sector, is a key vehicle in this regard.

During the last five years, the government has brought radical reforms to trade, investment, tariff, and income tax regulations to simplify the framework for doing business. Trade licenses and many other bureaucratic hurdles were abolished.

Companies in Mauritius are regulated by the Companies Act of 2001, which incorporates international best practices and promotes accountability, openness, and fairness. In order to combat money laundering and terrorist financing, the government also enacted the Prevention of Corruption Act, the Prevention of Terrorism Act, and the Financial Intelligence and Anti-Money Laundering Act.

***Public Procurement Act 2006:*** A Central Procurement Board, established under the Public Procurement Act 2006, oversees all forms of procurement by public bodies. The Procurement Policy Office is responsible for formulating policies and issuing directives for the operation of a transparent and efficient public procurement system. According to the Procurement Act, a bidder or potential bidder can challenge the procurement proceedings of a public body at any stage and request the Chief Executive Officer of the public body to consider his complaint and, where appropriate, take remedial action. Appeals may be brought against the decisions of a Chief Executive Officer to an Independent Review Panel. A simplified two-tier process, therefore, is available to unsatisfied persons to seek remedy.

***Competition Act 2007:*** In December 2007, the National Assembly adopted a Competition Bill to promote competition, prevent monopolistic pricing, and restrict collusion in consumer markets. The Competition Act 2007 was proclaimed and became effective on November 25, 2009 and the Competition Commission is now fully operational. Monopoly, and more generally, collusion between suppliers are prevalent in the domestic economy. The Competition Commission has already launched seven investigations, out of which two have been completed and five are still on-going.

### **Efficient Capital Markets and Portfolio Investment**

With its well-developed financial services sector, Mauritius aims to become a regional financial center. The sector is well regulated and proves reliable, resilient, and highly profitable. It has ample liquidity to meet the financing needs of the economy.

The Stock Exchange of Mauritius (SEM) has done quite well in terms of the volume of transactions, the number of listed companies, market capitalization, and the fairness and efficiency of its operations since its launch in 1989. In December 2010, the Stock Exchange of Mauritius had 37 companies listed on the Official Market and 57 companies on the Development and Enterprise Market which is designed for small and medium enterprises. Market capitalization grew from USD 92 million in 1989 to USD 5.5 billion in December 2010. The SEM is a member of the World Federation of Exchanges, which reports that the SEM adheres to industry business standards.

In November 2007, the SEM was included in the new Morgan Stanley Capital International (MSCI) Frontier Markets Indices which are designed to track the performance of a range of equity markets that are now more accessible to global investors. Mauritius was among four countries in Africa to be included in the new indices. The SEM has also been included in the DOW Jones SAFE 100 Index which was launched in March 2009 by the South Asian Federation of Exchanges (SAFE). The DOW Jones SAFE 100 Index measures the performance of the 50 largest stocks trading in India and the 50 largest stocks trading in four other countries, including Mauritius. The SEM's daily data is also tracked live on Bloomberg since 2008.

The Mauritius stock market was opened to foreign investors following the lifting of the foreign exchange controls in 1994. No approval is required for the trading of shares by foreign investors unless investment is for the purpose of legal and management control of a Mauritian company or for the holding of more than 15 percent in a sugar company. Incentives to foreign investors include free repatriation of revenue from the sale of shares and exemption from tax on dividends and capital gains.

The Global Board of Trade (GBOT), the first multi-asset derivatives exchange of its kind in Africa, started operating in Mauritius in October 2010. GBOT offers a basket of commodities and currency derivative products on its electronic exchange platform, including metals, energy, agricultural commodities and currency futures.

Mauritius has an active global business sector (formerly known as offshore sector), which is a major route for foreign investments into the Asian sub-continent. Mauritius is by far the largest source of FDI and portfolio investment in India, estimated at close to USD 43 billion for the period April 2000-September 2010, which accounts for 42 percent of the total FDI inflows into India. Major U.S. corporations use the Mauritius offshore sector to channel their investment to India. These investments are mainly attracted by a particularly favorable Double Taxation Avoidance Treaty (DTAT) which exists between Mauritius and India. As of December 2010, Mauritius had DTATs with a total of 38 countries, including China, Malaysia, Singapore, South Africa, U.K, France, Germany, Kuwait, and U.A.E.

Mauritius has a relatively sophisticated banking sector with 19 banks currently licensed to undertake banking business. The Banking Act of 2004 provides for banking business to be conducted under a single banking license regime. Accordingly, all banks are free to conduct business in all currencies, including the Mauritian rupee. There are also several non-bank financial institutions, which are authorized to conduct deposit-taking business as well as foreign exchange dealers.

The banking system is highly concentrated with two long-established domestic and two international banking groups dominating, holding between them around 65 percent of all banking assets. Foreign banks present in Mauritius include the Hong Kong and Shanghai Banking Corporation (HSBC), Barclays Bank, Bank of Baroda, Habib Bank, Banque des Mascareignes, PT Bank International Indonesia, Deutsche Bank, Standard Bank, Standard Chartered Bank, and Investec Bank.



The banks focus mostly on trade financing and on provision of working capital. Accounts may be opened in all major currencies as well as the Mauritian rupee. Several commercial banks offer card-payment services, such as credit and debit cards and direct debits. Other facilities, including phone banking, home banking, internet banking, and PC banking, are also provided by some banks. Commercial banks offer spot and forward transactions in all major currencies.

Commercial banks have diversified into non-banking business through subsidiaries and affiliates. Banks are engaged in the provision of leasing, stock brokering, asset and fund management, investment and private banking business, insurance agency, and portfolio and custodial management. As of October 2010, commercial banks' total assets amounted to approximately USD 26 billion.

The Bank of Mauritius, the Central Bank, carries out the supervision and regulation of banks as well as non-bank financial institutions authorized to accept deposits. A new Bank of Mauritius Act, which strengthened the central bank's institutional framework as well as its supervisory powers, was enacted in October 2004. It also has the power to establish prudential safety and soundness standards and regulations, and does so primarily by issue of Guidelines/Guidance Notes. The Central Bank has endorsed the Core Principles for Effective Banking Supervision as set out by the Basel Committee on Banking Supervision. In July 2009, the Bank of Mauritius Act was amended to provide for the setting up of a Financial Stability Committee comprised of the Central Bank, the Financial Services Commission, and the Ministry of Finance to review, on a regular basis, the soundness of the financial system.

### **Competition from State-Owned Enterprises (SOEs)**

The government policy is to act as a facilitator to business, leaving production to the private sector. The government, however, still controls key utility services directly or through parastatal companies, including electricity, water, waste water, postal services, and television broadcasting. The government also controls the import of what it deems to be strategic products such as rice (only non-basmati or other non-luxury rice), wheat flour, petroleum products, and cement through the State Trading Corporation.

The government also has controlling shares in the State Bank of Mauritius, Air Mauritius (the national airline), and Mauritius Telecom. These state-controlled companies have a Board of Directors on which seats are allocated to senior government officials. The Chairperson is generally nominated by the government. They are required by law to publish an annual report and to submit their books to independent audit. They also are subject to the same corporate social responsibility rules as private firms.

### **Political Violence**

Mauritius has a long tradition of political and social stability and is internationally recognized for its well-established democracy. Inter-ethnic tensions, however, led to four days of rioting in February 1999, following the death in police custody of a popular minority singer. Governments since then have sought to calm ethnic tensions and stress national unity.

Civil unrest and political violence are uncommon. Free and fair elections are held every five years with the last general elections held on May 5, 2010, which passed without incident.

## **Corruption**

In 2010, for the third year running, Mauritius has been ranked the second-least corrupt country in Sub-Saharan Africa by the German-based anti-corruption network Transparency International (TI). TI's Corruption Perceptions Index examines perceptions of public-sector corruption in 178 countries. It scores countries from zero, which indicates the highest level of perceived corruption, to ten, the lowest level. Mauritius is one of only three Sub-Saharan countries to score over 5, indicating that corruption is not seen as a widespread problem.

For the ninth consecutive year, Mauritius was ranked the best-governed country in Africa in the 2010 Mo Ibrahim Index of African Governance published in October 2010. The index measures government performance in 53 African countries in 2009 against 84 separate indicators grouped under four headings: safety and rule of law, participation and human rights, sustainable economic opportunity, and human development.

In 2002, the government adopted the Prevention of Corruption Act, which led to the setting up of an Independent Commission Against Corruption (ICAC). ICAC has the power to detect and investigate corruption and money laundering offenses and can also seize the proceeds of corruption and money laundering.

## **Bilateral Investment Agreements**

In September 2006, Mauritius and the United States signed a Trade and Investment Framework Agreement (TIFA), aimed at strengthening and expanding trade and investment ties between the two countries. The TIFA Council, comprising of representatives from both governments, held its first meeting in Mauritius in February 2007. The Council Meetings are held annually and usually alternate between Mauritius and Washington, D.C. Currently, Mauritius has an investment incentive agreement with the Overseas Private Investment Corporation (OPIC), and there are ongoing negotiations for a Bilateral Investment Treaty (BIT) between the United States and Mauritius.

Mauritius has signed Investment Promotion and Protection Agreements with the following 36 countries: Barbados, Belgium/Luxemburg Economic Union, Benin, Botswana, Burundi, Cameroon, Chad, China, Comoros, Czech Republic, Finland, India, Indonesia, France, Germany, Ghana, Guinea, Madagascar, Mauritania, Mozambique, Nepal, Pakistan, Portugal, Republic of Korea, Romania, Rwanda, Senegal, Singapore, South Africa, Swaziland, Sweden, Switzerland, U.K., Zimbabwe, Tanzania, and the Republic of Congo. Agreements with the following countries are awaiting signature: Ethiopia, Lesotho, Malawi, Kenya, Uganda, and Qatar.

## **OPIC and Other Investment Insurance Programs**

Mauritius is eligible for the full range of OPIC's investment insurance programs. It is also a member of the Multilateral Investment Guarantee Agency.

## **Labor**

As of September 2010, Mauritius has a total labor force of 586,600, including 367,100 males and 219,500 females. Total employment stands at 542,200, including 22,200 foreign workers, mainly from China, India, Madagascar, Sri Lanka, Bangladesh, and South Africa, and mostly employed in textile factories but also in construction, tuna canning, and hotel and catering sectors. The unemployment rate, which was 7.3 percent in 2009, is estimated at 7.5 percent in 2010, representing about 43,700 unemployed.

The GOM administratively establishes minimum wages, which vary according to the sector of employment, through the National Remuneration Board (NRB), and it mandates minimum wage increases annually based on inflation. Although trade unions often negotiate wages higher than those set by the NRB, the NRB issues Remuneration Orders for more than 90 percent of the workforce in the private sector.

In February 2009, the Employment Rights Act and the Employment Relations Act came into force with their main objectives are to revise and consolidate the existing labor and industrial relations laws, which date back to over 30 years, and to liberalize the labor market and enhance the effectiveness of collective bargaining. The new legislation also provides for the introduction of a Workfare Program under which workers who have been laid off will benefit from government financial assistance for up to twelve months and opportunities for training to increase their employability.

Wages are low by Western standards but high by most Asian and African standards. Factory workers in export-oriented enterprises generally earn between USD 200 and USD 300 per month. Middle managers earn between USD 700 and USD 1,000 per month. Fringe benefits, including transport and meal allowances, paid leave, and bonuses, represent about 25 to 30 percent of the basic wages of employees.

While Mauritius has an active trade union movement, labor-management relations are generally good. Unionized workers, which account for less than 25 percent of the workforce, act responsibly and rarely disrupt business. There has not been a major strike since 1979. Under current legislation, unions have the legal right to strike. The government seeks to preempt strikes through a system which promotes settlement through negotiation or arbitration by the Employment Relations Tribunal and the National Remuneration Board. A National Tripartite Forum, comprised of representatives of government, employers and labor unions, has also been set up to promote dialogue on issues of national interest, particularly those related to the world of work.

Workers' rights are protected under the Employment Rights Act 2008. Mauritius participates actively in the annual ILO conference in Geneva and adheres to ILO core conventions protecting worker rights.

## **Foreign Trade Zones/Free Ports**

The Mauritius Freeport (free-trade zone) established in 1992 is a customs-free zone for goods destined for re-export. The government's objectives are to promote the country as a regional warehousing, distribution, marketing, and logistics center for Eastern and Southern Africa and the Indian Ocean rim. Through its membership in the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Indian Ocean Commission (IOC), Mauritius offers preferential access to a market of over 400 million consumers, representing an import potential of USD 100 billion.

Situated on 52 hectares of land adjacent to the port facilities and a modern container terminal, the Freeport offers 120,000 square meters of world-class infrastructure, including cold rooms, dry storage, an international trade exhibition center, processing units, and office space for transshipment, consolidation, storage, and processing activities. Freeport facilities are also available at the airport. Major shipping lines (i.e. Maersk/Sealand, P&O Nedlloyd, and MSC) increasingly use Port Louis as a regional container transshipment hub.

Activities carried out in the Freeport include warehousing and storage, breaking bulk, sorting, grading, cleaning and mixing, labeling, packing and re-packing, minor processing, transshipment, cash and carry sales, export-oriented port based activities, export-oriented airport based activities, freight forwarding, express courier services, mail order, simple assembly, reshipment, and quality control and inspection services.

By the end of 2010, approximately 350 Freeport companies registered with about 250 active in operations such as re-export, transshipment, minor processing, and assembly. In 2009, the Freeport imported USD 178 million and re-exported USD 225 million worth of goods. Main products re-exported include seafood (29 percent), apparel and accessories (21 percent), chemical and pharmaceutical products (18 percent), machinery and transport equipment (4.5 percent), and beverages and tobacco (4 percent). In 2009, the principal export markets for the Freeport were Madagascar, Reunion Island, France, Spain, Seychelles, and Italy.

The Freeport sources its imports from a wide range of countries, including Hungary, China, India, Finland, Taiwan, France, Spain, and South Africa. The main products imported include fish, chemicals and pharmaceuticals, machinery, transport and telecommunication equipment, textile fabrics and accessories, ready-made garments, electrical goods, and general consumer goods.

The Freeport facilities for warehousing, breaking bulk, and re-export should be of particular interest to American companies. These services enable businesses to ship containerized goods to Mauritius, warehouse them in secure, low-cost facilities, then break bulk and re-export them in an efficient and timely manner to African and Indian Ocean rim destinations. The private developers provide modern computerized warehouse/logistics facilities, including cold rooms and processing centers. These include Freeport Operations (Mauritius) Ltd ([www.freeport-operations.mu](http://www.freeport-operations.mu)), Mauritius Freeport Development Co. Ltd ([www.mfd.mu](http://www.mfd.mu)), and Froid Des Mascareignes ([www.seafoodhub.com](http://www.seafoodhub.com)). Goods are assembled in the Freeport for export to the African and Indian Ocean markets. Current assembly and processing activities in the Freeport include jewelry and precious stones, slabs from semi-precious minerals, PET plastic bottles,

transformation of fish into fillets, aluminum frames and fittings, re-packaging of pharmaceuticals, and reconditioning of second-hand vehicles.

Two U.S. companies exist in the Mauritius Freeport. The first is Amazing Stone Ltd., established in 2005 by a U.S. citizen, is involved in the production of slabs made from semi-precious minerals used for kitchens, floors, bathrooms, walls, and furnishings. The firm, which employs 50 people, imports its raw materials from the region, mainly Madagascar. The second is Casamar (Mauritius) Ltd., a subsidiary of U.S. based Casamar Holdings, Inc., specializing in the assembly and repair of nylon-braided tuna purse seine nets, opened an office in Mauritius that provides marketing support for its fishing net repair and assembly operations in Seychelles.

The GOM, in collaboration with the private sector, is actively promoting the Freeport as a seafood hub, in particular focusing on the transshipment, processing, storage, distribution, and re-exportation of high value-added seafood products using the modern port and Freeport facilities and logistics. A one-stop shop established in the port area to help facilitate administrative clearances related to the seafood industry. Thon des Mascareignes Ltd. (TDM), a leading Mauritian company in partnership with Spanish investors, is operating a tuna loin processing plant with a daily processing capacity of 250 tons for export to Europe and the U.S. for final processing and packaging. U.S. firm Bumble Bee Foods has a tuna supply and processing agreement with TDM.

The Board of Investment, in collaboration with Airports of Mauritius Ltd., plans to develop a dedicated air cargo logistics center at the airport. As a first step, it is expected that bidders will be invited to submit expressions of interest for the preparation of a master plan for this project. The main activities targeted include re-export of high value/low volume products, light assembly operations, warehousing, labeling and repackaging, sea-air/air-sea and transshipment cargo, express courier, and freight forwarding services.

### **Foreign Direct Investment Statistics**

After several years of decline, FDI picked up strongly in 2006, as a result of radical economic reform measures taken by the government to open up the economy, facilitate business, and improve the investment climate. FDI peaked to USD 394 million in 2008 but fell to USD 270 million in 2009. FDI has picked up again and estimated at USD 350 million at the end of 2010. The following statistical tables, supplied by the Bank of Mauritius (Central Bank), show inflows of FDI in Mauritius by sector and country of origin (2007-2010).

Foreign Direct Investment by Sector, 2007-2010 (USD million)

|               | <b>2007</b>  | <b>2008</b>  | <b>2009</b>  | <b>2010*</b> |
|---------------|--------------|--------------|--------------|--------------|
| Manufacturing | 8.5          | 5.0          | 15.0         | 32.6         |
| Tourism       | 100.0        | 46.5         | 57.0         | 16.6         |
| Financial     | 127.0        | 157.0        | 42.0         | 68.0         |
| Real Estate   | 120.0        | 156.0        | 132.0        | 78.0         |
| Health        | -            | 4.0          | 4.5          | 87.0         |
| Other         | 4.5          | 26.0         | 20.0         | 53.0         |
| <b>Total</b>  | <b>360.0</b> | <b>394.5</b> | <b>270.5</b> | <b>335.2</b> |

\* Figures for 2010 are for the period January-September only

Foreign Direct Investment by Country of Origin, 2007-2010 (USD million)

|                | <b>2007</b>  | <b>2008</b>  | <b>2009</b>  | <b>2010*</b> |
|----------------|--------------|--------------|--------------|--------------|
| China          | -            | 2.7          | 10.7         | 7.3          |
| Dubai          | 40.0         | 29.2         | 11.7         | 6.4          |
| France         | 36.7         | 40.2         | 71.8         | 45.0         |
| Germany        | 1.8          | 5.9          | 0.8          | 0.1          |
| India          | 19.0         | 66.2         | 9.8          | 90.0         |
| Belgium        | 14.0         | 9.8          | 3.1          | 4.0          |
| Luxembourg     | 2.1          | 7.2          | 2.0          | 1.2          |
| Reunion Island | 18.0         | 1.7          | 6.0          | 2.1          |
| South Africa   | 15.6         | 49.0         | 15.7         | 26.0         |
| Switzerland    | 40.2         | 21.0         | 13.8         | 12.6         |
| U.K.           | 87.6         | 70.0         | 46.0         | 82.8         |
| U.S.           | 74.4         | 36.6         | 21.0         | 7.3          |
| Others         | 10.6         | 54.0         | 57.6         | 50.0         |
| <b>Total</b>   | <b>359.7</b> | <b>393.5</b> | <b>270.0</b> | <b>334.8</b> |

Source: Bank of Mauritius

\* Figures for 2010 are for the period January-September only

In 2009, the largest inflows of the USD 270 million of FDI into Mauritius came from France, U.K., United States, Switzerland, South Africa, and United Arab Emirates. Together these six countries represented 66 percent of total investments. The bulk of the FDI was directed to the real estate, tourism and banking sector. The main sources of FDI from January to September 2010 are India, France, U.K., and South Africa.

***Current U.S. Investments in Mauritius:*** There are two U.S. investors in the export-oriented manufacturing sector. Mauriden Ltd., was one of the first companies to operate in the EPZ more than 30 years ago. Initially involved in diamond cutting and polishing, Mauriden now focuses on the production of jewelry for its duty free shops (Adamas). More recently, in July 2009, Mazava Athletics Performance Wear Ltd started the production of sportswear. Mazava also has production facilities in Madagascar and Tanzania. As indicated in the Freeport section above, two U.S. companies (Amazing Stones Ltd and Casamar) are present in the Freeport zone.

Apollo-Blake, a joint venture between American (20 percent) and South African (80 percent) investors, started operations in 2008 as a Business Process Outsourcing (BPO) company that focuses on customer relations services, working primarily with U.S. based customers.

In March 2010, Total Site Solutions (a subsidiary of Fortress International Group) and the Government of Mauritius State Investment Corporation signed a shareholder agreement for the development and management of the Mauritius Land-Based Oceanic Park, an eco-park project, estimated at USD 150 million, that will pump cold sea water from a depth of 1,000 meters for air conditioning of data centers and other applications. A detailed feasibility study of the project has been carried out by U.S. firm Makai Ocean Engineering of Hawaii and a site has been identified

to that effect. It is expected that Total Site Solutions will build a 10,000 sq. meters data center on part of the 120 hectares of land allocated for the project on the west coast of the island.

MIC-USA Inc., a subsidiary of Millicom International Cellular, is a joint venture partner (50 percent shareholding) with local company Emtel Ltd in the provision of cellular phone service in Mauritius.

Ceridian (Mauritius) Ltd., a subsidiary of Ceridian Inc., specializes in software development and payroll and human resource solutions for European, U.S., and Canadian markets.

Microsoft and IBM have regional distribution offices in Mauritius, serving the Indian Ocean region.

KFC, Pizza Hut, and McDonald's have been operating in Mauritius for a number of years, all through local franchisees.

Starwood Group has a number of hotels run and owned with local Mauritian partners in Mauritius. Currently the Sheraton Four Points, Le Meridian, and The Grand Mauritian are operating on the island with Four Points Sheraton tailored for the business travel. In 2011, the Starwood Group will be open a St. Regis hotel on the island. This is the flagship brand of the Starwood Group.

UPS and FedEx also have offices in Mauritius.

In September 2010, Chevron Corporation, which had been operating in Mauritius under the "Caltex" brand name for over 70 years, decided to divest from its business operations in Mauritius and the Southern Africa/Indian Ocean region as part of its efforts to create a less complex downstream organization.

Other U.S. investments in Mauritius include Covance Laboratories Ltd, a subsidiary of Covance Inc., which holds 43 percent of the share capital of Noveprim Ltd., a local company involved in the breeding of monkeys for export to U.S. and European medical research laboratories.

In 2006, Covanta Energy established a joint venture with local company Gamma Ltd to build, own, and operate a USD 160 million waste-to-energy project in Mauritius. Plans were to operate a 20 MW power plant generating electricity from 300,000 metric tons of solid waste annually. However, the fate of this project is uncertain given a Mauritius court ordered stay to Gamma Energy's business license pending the completion of a much delayed appeal against its Environmental Impact Assessment.

***Current Foreign Investments in Mauritius:*** Several French, British, and Indian companies in joint ventures with Mauritian partners have invested in the ICT sector in Mauritius as a result of the government's determination at the beginning of the last decade to develop Mauritius into a cyber island. Other leading global players, including Accenture, Orange Business Services (France), InfoSys (India), Hinduja (India), Huawei (China), TNT (U.K.) have started Business

Process Outsourcing activities, call centers, disaster recovery and business continuity centers, and software development.

Significant investment has been made by Indian companies in the past several years. Indian Oil Ltd. has built a 24,000 metric ton-fuel storage terminal as well as a testing laboratory. It also operates a number of retail distribution outlets in Mauritius.

Another Indian company, Mahanagar Telephone Mauritius Ltd., (MTML) started international long distance telephone service as well as fixed phone services in competition with the local utility (Mauritius Telecom), in early 2006. It also provides mobile phone and wireless internet services. The State Bank of India acquired 51 percent equity in a local domestic bank for the sum of USD 8 million.

Indian companies have also made substantial investment in the health sector. In 2007, Apollo Hospitals Group from India embarked on the construction of a high-tech 200-bed hospital in Mauritius, estimated at USD 30 million, in joint venture with a local corporate group. The hospital opened on July 2009. In December 2008, another Indian healthcare provider, Fortis Healthcare Ltd., invested approximately USD 2 million in the share capital of a well-known private local health clinic. Fortis has upgraded the services provided by the clinic and plans to develop the clinic into a 400-bed health center providing specialized services in the future. In 2010 Dr Agarwal's Eye Hospital from India set up a super-specialty eye hospital while the Challenge Hair Group opened a state-of-the-art medical center in Trou-aux-Biches for hair grafting, plastic and cosmetic surgery, and dentistry. Also in 2010, Parenteral Drugs (India) Ltd acquired a majority stake in a local pharmaceutical manufacturing company.

Various Indian hotel groups, including Oberoi, Sagar, and Taj have also invested in high-end hotels and resorts in Mauritius. In March 2010, Indian firm Patel Engineering was awarded the contract for the development of a new township (Neotown) at Les Salines, located just outside Port Louis. The project, which is estimated at over USD 1 billion, is the largest single foreign investment in Mauritius. It will involve the construction of residential and office buildings, shopping malls, food courts, cinemas, and leisure parks spread over more than 24 hectares of reclaimed land in the port area (10 million square feet). The first phase of the project (about three million square feet) is expected to be completed in three years. Another Indian company Binani Cement Ltd is planning to build a clinker grinding plant in the port area for the production of cement. The proposed plant is expected to have an annual production capacity of one million tons of cement.

The Mauritius Jin Fei Economic and Trade Cooperation Zone is one of five economic zones that the People's Republic of China is promoting in Africa. The project, which is estimated at USD 750 million, is being implemented by a Chinese consortium, which includes Taiyuan Iron & Steel Group, the Shanxi Group, and the Tianli Group. The project, backed by the Chinese government, is expected to attract Chinese investors in a wide range of sectors, including manufacturing, information technology, property development, tourism and leisure, health, logistics, and services. Works on the Zone, which is located just outside Port Louis on the way to the north, started at the end of 2009 and are scheduled to be completed in 2016. It is expected to create more than 34,000 direct jobs as well as a substantial number of indirect jobs and



generate up to USD 215 million in export earnings a year. The Chinese government is encouraging the Chinese business community to invest in Mauritius in order to tap the regional markets of the Common Market for Eastern and Southern Africa and the Southern African Development Community.

***Investment Opportunities:*** Investment opportunities in Mauritius are available in the following sectors: seafood and aquaculture, information and communication technology (particularly legal and business process outsourcing), tourism, land-based oceanic industry (exploiting deep-sea cold water for air conditioning, water bottling, aquaculture, and pharmaceuticals), hospitality and real estate development (including hotels and integrated resort/luxury villas), logistics and distribution, ethanol production, spinning, renewable energy, environment, clinical trials, education and training, healthcare, value added manufacturing and light engineering, creative arts, financial and wealth management services, and global professional services.

In Mauritius, there are no restrictions on capital outflows. The bulk of direct outward investment for the period 2007-2009 has gone to the tourism sector (hotel construction) in Maldives and Seychelles, the manufacturing sector (mainly apparel) in Madagascar, and the banking sector in Seychelles, Maldives and South Africa. In 2010 significant outward investments were registered in the health, banking and tourism sectors.

The Government of Mauritius supports regional integration. Following an offer from the Government of Mozambique of some 23,500 hectares of land (18,500 hectares in the Province of Maputo and 5,000 in the Province of Manica), the Government of Mauritius has set up the Regional Development Co. Ltd (RDC). Its main objective is the promotion of regional food security and the implementation of other regional development projects. Under this initiative, in August 2010, the Government of Mauritius issued a request for proposals from potential investors for any agricultural activity, including processing and support services, and renewable energy projects.

The Mauritius Commercial Bank Ltd, the largest banking corporation in Mauritius, has established a strong presence in the Indian Ocean region with operations in Reunion, Madagascar, Seychelles, Mozambique, and the Maldives. They also have operations in France and a representative office in South Africa. The State Bank of Mauritius, another important local bank, has established banking operations in India and Madagascar. Outward FDI in the garments industry emerged in 1990, when the low-end operations were relocated to lower-wage countries in the region. The African Growth and Opportunity Act (AGOA) also provided the impetus for several local textile companies to open factories in the region, mainly Madagascar and Mozambique. Ciel Textile Ltd, a leading Mauritian textile group, has recently opened garment manufacturing operations in India and Bangladesh.

Other Mauritian investments on the African mainland relate to the use of expertise in the sugar industry to rehabilitate and manage sugar production in Mozambique, Tanzania, Ivory Coast, Madagascar, and Uganda. Long-established conglomerates like the Rogers Group, IBL Group, the Currimjee Group, the Food and Allied Industries Group, the Altima Group, and the British American Investment Ltd. have established foreign subsidiaries in commerce, poultry, and financial non-banking services, principally in Madagascar. Mauritius Telecom and Emtel, a

subsidiary of the Currimjee group, have also invested in the telecommunications sector in Madagascar and Seychelles.

The following tables provide statistics on FDI outflows by country and sector of investment during the period 2007-2010.

Mauritius Direct Investment Abroad by Sector, 2007-2010\*

|               | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010*</b> |
|---------------|-------------|-------------|-------------|--------------|
| Tourism       | 33.4        | 31.7        | 22.0        | 29.0         |
| Manufacturing | 7.3         | 7.0         | 3.5         | 10.0         |
| Real Estate   | 7.6         | 7.3         | 10.0        | 1.4          |
| Financial     | 3.5         | 7.2         | 6.4         | 32.0         |
| Health        | -           | -           | -           | 43.7         |
| Other         | 5.2         | 2.2         | 1.5         | 3.1          |
| <b>Total</b>  | <b>57.0</b> | <b>55.4</b> | <b>43.4</b> | <b>119.2</b> |

Source: Bank of Mauritius

\* Figures for 2010 are for the period January-September only

Direct Investment Abroad by Mauritius, 2007-2010 (USD million)

|                | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010*</b> |
|----------------|-------------|-------------|-------------|--------------|
| France         | 2.0         | 5.2         | 8.8         | 0.3          |
| Switzerland    | -           | -           | -           | 24.6         |
| Reunion Island | 4.0         | 4.8         | 2.6         | 1.2          |
| U.S.           | 2.9         | 0.4         | 0.8         | 1.8          |
| Madagascar     | 8.3         | 8.0         | 2.9         | 1.7          |
| Maldives       | 9.3         | 21.0        | 9.9         | 1.2          |
| South Africa   | 1.1         | 0.7         | 2.1         | 10.3         |
| India          | 1.0         | 0.9         | 0.4         | 32.2         |
| Seychelles     | 5.4         | 5.7         | 6.5         | 3.1          |
| Mozambique     | 4.5         | 0.3         | 0.3         | 0.3          |
| Others         | 18.5        | 8.4         | 9.1         | 42.6         |
| <b>Total</b>   | <b>57.0</b> | <b>55.4</b> | <b>43.4</b> | <b>119.3</b> |

Source: Bank of Mauritius

\* Figures for 2010 are for the period January-September only